

Gender audit committee and audit delay

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ABSTRACT

The longer the time of audit delay, the more it shows the existence of problem in preparing financial statements by management. Besides that, it also indicates a lack of transparency and poor corporate management environment. Gender is one of the individual factors that influence work attitude. Physical specialization of the gender (male and female) illustrates the differences in implementing social activities. This study examined the effect of gender audit committee on audit delay by using regression analysis. It uses public companies listed in the Indonesia Stock Exchange which are determined based on judgment sampling. The results provide empirical study that gender audit committee affects audit delay with a significance level of 0.042 and give support to the gender roles theory that women perform the task better than men, so that the greater the number of women in the audit committee composition, the less the audit delay.

ABSTRAK

Semakin lama waktu audit delay, semakin menunjukkan adanya masalah dalam penyusunan laporan keuangan oleh manajemen. Selain itu, kondisi tersebut juga menggambarkan kurangnya transparansi dan lingkungan manajemen perusahaan yang kurang baik. Jenis kelamin merupakan salah satu faktor individu yang mempengaruhi sikap kerja. Spesialisasi fisik jenis kelamin (pria dan wanita) menggambarkan perbedaan dalam melaksanakan kegiatan sosial. Penelitian ini menguji pengaruh gender dari komite audit terhadap audit delay menggunakan analisis regresi. Penelitian ini menggunakan perusahaan publik yang terdaftar di Bursa Efek Indonesia yang ditentukan berdasarkan judgment sampling. Hasil penelitian ini menunjukkan secara empiris bahwa gender dari komite audit mempengaruhi audit delay dengan tingkat signifikansi 0,042 dan memberikan dukungan kepada teori peran gender bahwa perempuan melakukan tugas lebih baik daripada pria, sehingga semakin besar jumlah perempuan dalam komposisi komite audit, semakin berkurang audit delay tersebut.

1. INTRODUCTION

The increasing number of public companies in Indonesia leads to higher levels of competition. Such condition forces the public companies to work harder to show a good image to the public in order to attract investors. The medium used to display the performance of the company is a financial statement. The financial statement is also used by potential investors to make investment decisions. Ratnawaty and Toto (2005) stated that timeliness of financial reporting is an essential element for the proper financial statement.

The obligation to publish audited financial statements tends to cause audit delay. Audit delay

is the length of time in audit completion from the closing date of the financial year to the completion date of the independent auditor's report (Ashton et al. 1987). Dyer and Hugh (1975) stated that the cause of the length of time in financial examination by the auditor is due to the viewpoint differences in accounting and auditing issues between the client's management and the auditor. Disagreement between the client's management and the auditor is often triggered by conflict of interest between the two parties. The management tends to cover up the weaknesses of its performance in order to maintain a good image in the eyes of the principal. Meanwhile, an independent auditor, in accordance with

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the code of ethics in his profession, attempts to carry out his duties as well as possible.

Audit delay exceeding the deadline given by the Securities and Exchange Commission, ie 90 days after the company's annual financial statements is published, causes the delay in the publication of the financial statements. The problem in the preparation of the financial statements by management will extend the audit completion time. The publication delay of the audited financial statements can be detrimental to investors because it may increase the occurrence of information asymmetry. However, it could be minimized by implementing good corporate governance through the establishment of an audit committee, which began to be encouraged by the Government in 2000, with the issuance of the Decree of Directors of Jakarta Stock Exchange (JSX) No. Kep-315/BEJ/06/2000, which aims to create transparency in the public company environment.

Several previous studies stated that there are several characteristics of audit committee that affect audit delay. Wijaya (2012) stated that the number and the competence of the audit members have an influence on audit report lag. Purwati (2006) stated that the independence of the members and the chairman of the audit committee and the competence of the audit committee members influence the audit report lag. This illustrates that there are many factors that can affect the performance of the audit committee.

The performance of a group is largely determined by the performance of individuals in the group. The audit committee, as a social individual, can not be separated from the process of establishing their own personalities. The process of personal formation is an initial socialization patterns in the form of the interaction with the environment, friends, relatives, family and so forth. In the traditional theory put forward by Wade (2001) stated that man comes with social roles that focuses on self-interest, such as the desire to have high position in the company, the strength of the boss, and as an authoritative father. On the other hand, woman is on the other interests, such as being the wife who gives encouragement and support, and as a mother who gives encouragement. This early socialization continues through adolescence. Social experiences and expectations strengthen the roles in accordance with gender, capabilities, and the presence as women and men.

Gender is one of the individual factors that influence work attitude. Physical specialization demanding physical attributes of gender (male and

female) leads to the differences in conducting social activities. The characteristics of the activities performed by each gender are the perception and the public confidence over the dispositional attributes of men or women. As a result, there appears an assumption that men and women who occupy a certain position to behave in accordance with their respective attributes. This illustrates that each gender has its respective work attitude according to its attributes.

In business development, men tend to dominate more in managerial structures existing within the company (Kang, Cheng and Gray 2007), especially in Indonesia. Gender domination in the managerial structure allows the behaviour differences in presenting the financial statements and addressing the possibility of audit delay. Amanatullah et al. (2010) stated that women tend to do the task better than men, so as to reduce the possibility of audit delay. The subject matter of this study is whether gender audit committee affects audit delay.

This study aims to determine the effect of gender audit committee on audit delay, which will be useful in providing input to management and investors to consider the existence of female gender in the ranks of the audit committee in order to accelerate the completion of the audit process and to give empirical contribution on the determinant of the audit delay.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Gender Role Theory

Gender is one of the biographical characteristics of the individual which is an objective personal characteristic. (Robbins 2001: 42). Its role as a theory stating that boys and girls learn behavior and attitudes in accordance with the culture of the family where they grow, so non-physical gender differences are the product of socialization. Physical specialization of the gender leads to the differences between men and women in carrying out social activities that require physical attributes. Characteristics of the activities carried out by men and women become the public perception and confidence over the dispositional attributes of men or women. As a result, people hope that men and women who occupy certain position to behave in accordance with their respective attributes. This illustrates that each gender has work attitude according to their physical attributes.

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Audit Delay

Audit delay is the time needed to complete the audit process until the publication of the audited statements, which is calculated from the date of publication of the annual financial statements of the company. Hajiha and Rafiee (2011) stated that audit delay is the number of days from the end of the fiscal year to the date of the audit report. Ashton et al. (1987) supported by Lawrence and Bryan (1998), argue that audit delay is caused by the length of time in the audit process and will affect the timeliness of financial reporting.

The longer the time of the audit delay the more negative impact it has. This is due to the information contained in the financial statements that will reduce the value of its benefit and it is no longer relevant for the users of the financial information, or investors. Givoly and Palmon (1982) stated that the length of time in the audit completion can affect the timeliness of the publication of the audited financial information, which affects the market reaction and then influences the level of uncertainty of decision based on the information published. Bamber and Schoderbek (1993) stated that the delay in financial reporting is the management effort to avoid investigation and investor distrust related to the existence of financial distress.

Gender Audit Committee

Gender refers to a set of characteristics that is considered distinguishing between men and women, which reflects one's biological sex or gender identity. Men have more characteristics in facing risk (Coet and McDermott 1979; Rubin and Paul 1979) and tend to process information which limited in decision making. In contrast, women tend to show a safer choice in decision making (Amanatullah et al. 2010). Gender is a picture of the nature, attitudes, and behaviors of men and women (Mikkola 2005).

Gender means role differences between men and women in terms of biological and socio-cultural values (Rini 2011). According to Siti (2007), gender is a cultural concept of society which distinguishes the role, behavior, mentality, and emo-

tional characteristics between men and women. Meyers and Levy (1986) developed a theoretical framework "selectivity hypothesis" that differentiates between women and men in processing information. Men neither use all the available information nor process the information thoroughly in solving problems. Men tend to process information limitedly. Meanwhile, women tend to process the information in detail, especially in decision making.

The Effect of Gender Audit Committee on Audit Delay

Gender is one of the individual factors that affect working attitude. Meyers and Levy (1986) stated that compared to men, women generally have tendency to work more carefully and neatly in completing their tasks and tend to do their duties better (Amanatullah 2010). Women play their roles according to the social attributes and distinguish them from the men's roles. The tendency will certainly have an impact on the accuracy of the presentation of information in the financial statements so as to simplify the audit process and accelerate the the audit completion. This will greatly help public accountants verify the financial statements so as to speed up the audit process. More and more women included in the Audit Committee composition will minimize audit delay. Based on these explanations, the hypothesis is formulated as follows.

Ha : Gender Audit committee affects the Audit Delay

3. RESEARCH METHOD

Research Variables

The variables used in this research are described as follows:

1. *Audit Delay* (Y) is dependent variable.
Audit delay is the length of time required to complete the audit process until publication of the audited report, which is measured by the length of audit completion time (in number of days), starting from the end of the reporting period until the date of the audit report is issued
2. Gender Audit committee (X) is independent variable.

Gender Audit Committee describe the gender of the members of the Audit Committee, which is measured quantitatively using the proportion between the number of female audit committee members compared to the overall total of the audit committee members.

$$GKA = \frac{\text{Female Members of Audit Committee}}{\text{Total of Members}} \times 100\% \quad (1)$$

Table 1
Descriptive Statistic

	Mean	Standard of Deviation	N
Audit Delay	73.9853	10.73953	75
Gender Audit Committee	0.3913	0.10879	75
Size of Audit Committee	3.1611	0.44643	75
Competence of Audit Committee	0.8155	0.18775	75

Source: Data processed (2012).

The control variables in this study are the competence and the size of the audit committee. The competence of the audit committee is measured by comparing the number of competent audit committee members (educated in accounting or finance) to the number of the Audit Committee Members. The size of the Audit Committee is the number of the Audit Committee members.

Types and Sources of Data

The data employed of this research is quantitative data obtained from the annual report and audited financial statements of companies listed in Indonesia Stock Exchange. Based on the source, this study uses secondary data.

Sampling Method

The population consists of companies listed in Indonesia Stock Exchange in 2012 consisting of 460 companies and acquired 75 companies used as the sample. This study also uses nonprobability method with purposive sampling technique, with the following criteria:

1. The companies present annual reports and have accounting period on December 13, and are listed in the Indonesia Stock Exchange in 2012.
2. The companies have all the data required such as information about the gender, the size, and the competence of the audit committee.

Data Collection Method

The data collection uses nonparticipant observation method by conducting an analysis of the company record, such as annual report and audited financial statements obtained by accessing the official website of the Indonesia Stock Exchange (www.idx.co.id).

Data Analysis Technique

This study uses regression analysis, with the program of SPSS 15.00. The regression model is as follows:

$$Y = a + \beta_a X_a + \beta_b X_b + \beta_c X_c + \varepsilon \quad (2)$$

Description:

Y : audit delay

a : constant

β_a - c : coefficient regression variable

X_a : gender audit committee

X_b : size of audit committee

X_c : competence of audit committee

ε : error

Regression model should be free from the problem of multicollinearity, heteroscedasticity, and normality of the data. For that reason, classic assumption test is conducted. The model fit test (feasibility models) is carried out by the F test to determine the effect of independent variables on the dependent variable with significance level of 0.05. Furthermore t test (partial test) is carried out to determine the effect of independent variables on the dependent variables, as well as to answer the research hypothesis with significance level of 0.05.

4. DATA ANALYSIS AND DISCUSSION

Descriptive Statistics

The companies listed in Indonesia Stock Exchange in the period of 2012 are 460. While the results obtained based on the selection are 75 companies used as the study sample. The results of the descriptive statistical test of the research data are presented in Table 1.

The mean value of the audit delay of the sample companies is 73.9853 days, which indicates the length of time required for the audit completion. The standard deviation value of 10.7395 days indicates the magnitudes of the average deviation of the data observation of the audit delay variable on the value expected or mean value. The variable of gender audit committee shows an average of 0.3913, which means the average number of women gender proportion in the audit committee composition is 39.13 percent. The standard deviation of the gender audit committee from the average value is 10.879 percent.

Results of Classical Assumption Test

Normality test is a test to determine whether the residual is normal or not, or error terms. This study uses Kolgomorov-Smirnov test. If $\text{sig} > \alpha$, the data is said to be normally distributed. The test result

shows the value of $\text{sig } 0.051 > \alpha 0.05$, so the assumption of normality is fulfilled (Appendices 1).

Multicollinearity test is to test the correlation between the independent variables in the regression model. This study uses variance inflation factor (VIF) approach to detect multicollinearity problems. If the value of $\text{VIF} < 10$, it shows no indication of multicollinearity to occur. Conversely, if the value of $\text{VIF} > 10$, it indicates the occurrence of multicollinearity. The result of this analysis shows that the value of VIF is below 10. It indicates that no multicollinearity to occur between the independent variables (Appendices 1).

Heteroscedasticity test is done to determine the inequality of variance in the regression model. This study uses glejser model to detect the presence or absence of glejser heteroscedasticity. The test result shows significance level which is greater than 0.05 α , so that regression model does not contain heteroscedasticity (Appendices 1).

Hypothesis Testing

The determination coefficient (R^2) measures how far the ability of the model in explaining the dependent variable. The amount of adjusted R^2 is 0.145 which means 14.5 percent of audit delay variation is explained by the variations in gender, size, and competence of the audit committee, while the rest is explained by other factors outside the model (Appendices).

Model fit test (feasibility models) with F test indicates a value of 5.188 with the probability of $0.003 < \alpha$ value of 0.05, so that the regression model can predict Audit Delay which is simultaneously influenced by gender, size, and competence of the audit committee (Appendices).

The equation of the regression model of the analysis result can be formulated as follows.

$$Y = 117.676 - 22.727X_a - 7.532X_b - 13.475X_c$$

The constant value of 117.676 shows that the average time of audit completion from the end periode of the company to the date of the audit report issued is 117 days, with the assumption that the independent variables are considered constant. Regression coefficients for gender audit committee of -22.727 shows that any reduction in the number of women gender in the composition of the audit committee of 100 percent will increase the audit completion time by 22 days. The negative sign of the regression coefficient of gender audit committee shows an effect which is not unidirectional. The lower proportion of female gender in audit committee results in the higher time of audit completion.

The research hypothesis is formulated that gender audit committee negatively affects on Audit Delay. Based on the test result is obtained the statistic t value of -2072 with the probability value of $0.042 < \alpha 0.05$, then the hypothesis is supported.

Based on the test results, the size and the competence of the audit committee also affect audit delay. The size of the audit committee influence audit delay with the statistic t value of -2808 and the probability of $0.006 < \alpha 0.05$, this means that the lower the number of audit committee, the higher the time required in audit completion. The competence of the audit committee affects audit delay with the t statistics value of -2.167, and the probability of $0.034 < \alpha 0.05$, this means that the higher the competence of the audit committee, the lower the time of the audit completion.

Discussion

Statistically, gender audit committee has negative and significant effect on audit delay. The result of this analysis shows conformity with the predictions of the alternative hypothesis. Gender is one of the individual factors that influence work attitude. Meyers and Levy (1986) stated that women tend to work more carefully and neatly in completing their task.

Accuracy and neatness in carrying out the duty will greatly help improve the performance of the audit committee in reviewing the financial statements of the company, so as to minimize the possibility of misstatements and improve the quality of reporting. Good quality of reporting will help speed up the process of audit completion by the independent auditors, so as to minimize the audit delay and the financial statements could be reported timely. This indicates that female gender plays their role in accordance with their social attributes. In other words, women are more careful and neat in carrying out their duties than men, thus providing empirical evidence for the gender roles theory.

The high proportion of female gender in the composition of the audit committee, the more improvement the timeliness of financial reporting. It is also strongly supported by a number of audit committee and the competence of the audit committee members. The size of the audit committee is determined by the number of audit committee members. Aditya (2012) stated that the greater the number of audit committee members describes a greater force in improving the quality of reports by reducing the possibility of misstatements.

The competence of audit committee members,

as measured by educational background, is very helpful for the audit committee in carrying out their functions and roles effectively. This can encourage the timeliness of the annual financial statements completion and facilitate the audit process by independent auditor that will accelerate the completion of the audit report. Aditya (2012) stated that the competence of audit committee members influences audit report lag.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The presence of male gender domination in corporate managerial structure indicates that female gender roles are still less prominent. Men and women have different social attributes in carrying out their respective roles which will have an impact on behavior. The difference in the role and behavior of each gender will affect the presentation of financial statements, and this will eventually affect audit delay.

It also shows that gender audit committee has negative influence on audit delay. It describes that the presence of women gender in the composition of the audit committee plays a role in shortening the time span of audit completion by the independent auditors. Women tend to work more carefully and neatly in completing their tasks, and tend to do the task better than men. Accuracy and neatness of the duty will greatly help speed up the audit completion time. These findings support the gender role theory which states that each gender has differences in implementing their roles in accordance with their social dispositional attributes.

The method of variables measurement in this study has not considered the sensitivity test. Future studies are expected to be able to complement and develop other methods of measurement. Method of data analysis can be considered by using other methods in order to obtain comparable results.

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APPENDICES

Classical Assumption Test Results

Results of Normality Test

	Unstandardized Residual
N	75
Normal Parameters Mean	.0000000
Std. Deviation	9.72627244
Most Extreme Absolute	.156
Differences Positive	.075
Negative	-.156
Kolmogorov-Smirnov Z	1.354
Asymp. Sig. (2-tailed)	.051

Source: Data processed (2012).

Results of Multicollinearity Test

Variable	Collinearity Statistics	
	Tolerance	VIF
Gender Audit Committee	.937	1.068
Size of Audit Committee	.927	1.078
Competence of Audit Committee	.976	1.025

Source: Data processed (2012).

Results of Heteroscedastity Test

Model	Unstd. Coefficients		Std. Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.407	7.349		.191	.849
Gender Audit Committee	-.736	7.124	-.012	-.103	.918
Size of Audit Committee	-.104	1.745	-.007	-.060	.952
Competence of Audit Committee	8.045	4.145	.227	1.941	.056

Source: Data processed (2012).

Hypothesis Test Results

Determination Coefficients

Model	R	R Square	Adjusted R Square	Std Error of the Estimate	Durbin-Watson
1	.424 ^a	.180	.145	9.92963	1.945

Source: Data processed (2012).

Results of F Test (Simultaneous Test)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1534.541	3	511.514	5.188	.003 ^a
Residual	7000.428	71	98.598		
Total	8534.969	74			

Source: Data processed (2012).

Results of t Test (Partial Test)

Model	Unstd. Coefficients		Std Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	117.676	11.311		10.403	.000
Gender Audit Committee	-22.727	10.967	-.230	-2.072	.042
Size of Audit Committee	-7.532	2.682	-.313	-2.808	.006
Competence of Audit Committee	-13.475	6.218	-.236	-2.167	.034

Source: Data processed (2012).